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AZ CORP COMMISSION
DOCKET CONTROL

Docket #(s): W-04286A-15-0339

Arizona Corporation Commission

DOCKETED

DEC 21 2015

DOCKETED BY

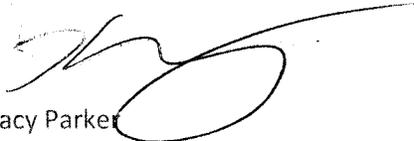
Exhibit #: S-1, S-2, S-3

November 5, 2015

To whom it may concern:

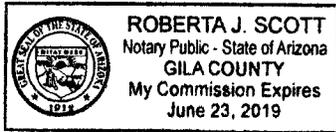
It is my intention that the sale of the stock to Management Systems LLC includes all Arroyo Water Company Inc. assets. This consists of all pumps, tanks, easements and distribution systems (including the well #55-805 621).

Sincerely,


Kacy Parker

11-2-15

State of Arizona
County of Gila



This instrument was acknowledged before Me
this 2nd day of November 2015 by
Kacy Parker.





NEW APPLICATION

RECEIVED

2015 SEP 28 P 3 20

W-02593A-15-0339

AZ CORP COMMISSION

EMERGENCY RATE CASE

Arizona Corporation Commission

DOCKETED

SEP 28 2015

ARROYO WATER COMPANY, INC.

Mr. Michael Armstead
C/O Management Systems, LLC
211 W. Saddle Lane
Payson, Arizona 85541
Sept. 25, 2015

DOCKETED BY	
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COMMISSIONERS
SUSAN BITTER SMITH – Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE



JODI JERICH
Executive Director

ARIZONA CORPORATION COMMISSION

**INFORMATION REGARDING
THE FILING OF AN
EMERGENCY RATE CASE**

General conditions necessary for application of interim, emergency rates:

1. Situation of sudden change which brings hardship to a Company.
2. Situation where Company is insolvent.
3. Situation where ability of Company to maintain service (pending a formal rate determination) is in serious doubt.

In support of the above, the inability of the Commission to grant permanent rate relief within a reasonable time would be grounds for granting interim relief. This would require that the Company demonstrate that the period needed to grant permanent relief would not be reasonable, given the emergency condition present.

Further, there is certain information that, at a minimum, would be required to be submitted in an application for emergency rate relief:

- a. A narrative cover sheet(s) devoted to the explanation of the emergency condition present in the company.
- b. A requested amount of dollars to be recovered in the emergency rate.
- c. An emergency rate charge to apply to customers.
- d. A method or mechanism to recover the requested amount of dollars.
- e. A detailed breakdown of the system repairs, if any, necessary to alleviate the emergency condition. To include information such as size, quantity, capacity and condition of all repair areas, and a listing for the cost of labor per repair item.
- f. A copy of an estimate of the cost of repairs.
- g. Original and 15 copies of all of the information.
- h. Delivery of the original and 15 copies to:

Arizona Corporation Commission
Docket Control
1200 W. Washington
Phoenix, AZ 85007

Arroyo Water Company Inc.
Mr. Michael Armstead
C/O Management Systems Inc.
211 W. Saddle Lane
Payson, AZ 85541

Emergency Rate Case

Arroyo Water Company is "insolvent" and is now in an emergency condition, due to insufficient revenue to operate at a compliance level.

The water distribution system needs multiple repairs from years without proper maintenance and operations. The water systems circulatory pressure is below minimum operation, currently below 20 PSI for the whole system.

The storage tank is under sized and leaking badly, currently inadequate at 10,000 gal storage tank that does not meet DEQ compliance, needs to have a 50,000 gal storage tank to meet current standards.

A second source of water needs to be developed with additional storage to meet DEQ compliance.

Additional emergency needs: meter replacements to water line extensions, hydraulic and mechanical issues that need electrical upgrades, electrical system is in need of repairs and these pose huge liability risks if left unrepaired.

The current revenue stream is unable to support taxes much less current repairs, and it's seriously doubted that the system can maintain operations without sustaining any break downs and/or failures.

Arroyo Water Company is failing with the current revenue stream and does not even cover minimum operating expenses, placing the company in an "insolvent" state because it cannot afford to do any maintenance or repairs needed to operate, or be at a compliant level.

Please consider this emergency rate as Arroyo Water Company is currently in an extreme situation.

Thank you,

Michael Armstead

Date: _____

Arroyo Water Company Inc.
Management Systems, Inc.
Mr. Michael Armstead

B) A requested amount of dollars to be recovered in the emergency rate.

Arroyo Water Company, Inc. is insolvent and is requesting an emergency amount of \$72,000.

Arroyo Water Company has immediate emergencies, due to leaks, multiple repairs needed, tanks, leaks, inadequate water storage, and insufficient pressure. Also, desperate need to implement at least 48 hours of water storage (113,000 gallons) to accommodate properly with emergency situations.

"Conservation rate schedule" with a \$26.00 minimum, see schedule below:

MONTHLY USAGE CHARGE

<u>METER SIZE (All Classes)</u>	<u>CHARGE</u>
5/8 x 3/4" Meter	\$ 26.00
3/4" Meter	30.00
1" Meter	34.50
1 1/2" Meter	51.50
2" Meter	90.50
3" Meter	129.50
4" Meter	207.50
6" Meter	00.00

COMMODITY CHARGE (per 1,000 gallons of water)

<u>METER SIZE</u>	<u>CHARGE</u>	<u>METER SIZE</u>	<u>CHARGE</u>
<u>5/8 x 3/4" & 3/4" Meter - Residential</u>		<u>2" Residential, Commercial & Industrial</u>	
From 1 to 3,000 gallons	\$2.22	From 1 to 43,000 gallons	\$3.56
From 3,001 to 9,000 gallons	3.56	Over 43,000 gallons	5.31
Over 9,000 gallons	5.31		
<u>5/8 x 3/4" & 3/4" Meter - Commercial & Industrial</u>		<u>3" Residential, Commercial & Industrial</u>	
From 1 to 9,000 gallons	\$3.56	From 1 to 66,000 gallons	\$3.56
Over 9,000 gallons	5.31	Over 66,000 gallons	5.31
<u>1" Residential, Commercial & Industrial</u>		<u>4" Residential, Commercial & Industrial</u>	
From 1 to 11,000 gallons	\$3.56	From 1 to 113,000 gallons	\$3.56
Over 11,000 gallons	5.31	Over 113,000 gallons	5.31
<u>1 1/2" Residential, Commercial & Industrial</u>		<u>6" Residential, Commercial & Industrial</u>	
From 1 to 20,000 gallons	\$3.56	From 1 to 500,000 gallons	\$3.56
Over 20,000 gallons	5.31	Over 500,000 gallons	5.31

Arroyo Water Company Inc.
Management Systems, Inc.
Mr. Michael Armstead

C) An emergency rate charge to apply to customers.

Arroyo Water Company is requesting an emergency rate increase that would produce a just and reasonable rate of return, if the rates are approved as stated below.

MONTHLY USAGE CHARGE

<u>METER SIZE (All Classes)</u>	<u>CHARGE</u>
5/8 x 3/4" Meter	\$ 26.00
3/4" Meter	30.00
1" Meter	34.50
1 1/2" Meter	51.50
2" Meter	90.50
3" Meter	129.50
4" Meter	207.50
6" Meter	00.00

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Over 9,000 gallons	5.31		
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From 1 to 9,000 gallons	\$3.56	From 1 to 66,000 gallons	\$3.56
Over 9,000 gallons	5.31	Over 66,000 gallons	5.31
<u>1" Residential, Commercial & Industrial</u>		<u>4" Residential, Commercial & Industrial</u>	
From 1 to 11,000 gallons	\$3.56	From 1 to 113,000 gallons	\$3.56
Over 11,000 gallons	5.31	Over 113,000 gallons	5.31
<u>1 1/2" Residential, Commercial & Industrial</u>		<u>6" Residential, Commercial & Industrial</u>	
From 1 to 20,000 gallons	\$3.56	From 1 to 500,000 gallons	\$3.56
Over 20,000 gallons	5.31	Over 500,000 gallons	5.31

Arroyo Water Company Inc.
 Management Systems, Inc.
 Mr. Michael Armstead

SERVICE CHARGES

<u>SERVICE</u>	<u>CHARGE</u>
Establishment	\$25.00
Reconnection (Delinquent)	20.00
After Hours Service Charge (a)	35.00
Meter Test (if correct)	25.00
Meter Re-Read (if correct)	25.00
Deposit	*
Deposit Interest (per year)	*
Re-establishment (within 12 months)	**
NSF Check	\$17.50
Deferred Payment (per month)	1.50%
Late Payment Penalty (per month)	1.50%
Moving Customer Meter (customer request)	***
<p>(a) After Hours Service: After regular working hours, on Saturdays, Sundays or holidays if at the customer's request.</p> <p>*Per Commission Rule R14-2-403(B)(7).</p> <p>**Number of months off the system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).</p>	
<p>In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax, per Commission Rule A.A.C. R14-2-409(D)(5).</p>	

SERVICE AND METER INSTALLATION CHARGES

<u>METER SIZE</u>	<u>CHARGE</u>		
	<u>Line</u>	<u>Meter</u>	<u>Total</u>
5/8 x 3/4" Meter	\$ 415.00	\$ 105.00	\$ 520.00
3/4" Meter	415.00	205.00	620.00
1" Meter	465.00	265.00	730.00
1 1/2" Meter	520.00	475.00	995.00
2" Meter	800.00	995.00	1,795.00
3" Meter	1,015.00	1,620.00	2,635.00
4" Meter	1,430.00	2,570.00	4,000.00
6" Meter	2,150.00	4,925.00	7,075.00

Questions should be directed to Arroyo Water Company, Inc.
 Mr. Michael Armstead, Management Systems, Inc.
 211 W. Saddle Lane, Payson Az. 85541

Arroyo Water Company Inc.
Management Systems, Inc.
Mr. Michael Armstead

- A requested amount of dollars to be recovered in the emergency rate.
- A method or mechanism to recover the requested amount of dollars.

Arroyo Water Company, Inc. is insolvent and is requesting an emergency amount of \$ 72,000.

Arroyo Water Company has immediate emergencies, due to leaks, multiple repairs needed, tanks, leaks, inadequate water storage, and insufficient pressure. Also, desperate need to implement at least 48 hours of water storage (113,000 gallons) to accommodate properly with emergency situations.

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From 1 to 20,000 gallons	\$3.56	From 1 to 500,000 gallons	\$3.56
Over 20,000 gallons	5.31	Over 500,000 gallons	5.31

Arroyo Water Company Inc.
Management Systems, Inc.
Mr. Michael Armstead

E) Detailed breakdown of system repairs, if any, necessary to alleviate the emergency condition.

Arroyo Water Company needs to replace existing water storage, multiple interties, mainline to alleviate hydraulic loading and maintain adequate pressure, electric control replacement, labor amount is unknown, and the system is in such disarray, the amount of actual expenses and labor is not known or available at this time.

F) A copy of an estimate of the cost of repairs.

No estimate is available at this time.

ARIZONA CORPORATION
COMMISSION UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-042864
KACY PARKER
ARROYO WATER CO.
PO BOX 3077
PAYSON AZ 85547

ANNUAL REPORT
Water

FOR YEAR ENDING

| 12 | 31 | 2014 |

FOR COMMISSION USE

| ANN 04 | 13 |

COMPANY INFORMATION

Company Name (Business Name) <u>Arroyo Water Company</u>		
Mailing Address <u>P.O. Box 3077</u>		
<u>Payson</u> (City)	<u>Arizona</u> (State)	<u>85541</u> (Zip)
<u>928-363-0032</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)
Email Address _____		
Local Office Mailing Address _____		
(Street)		
(City)	(State)	(Zip)
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)
Email Address _____		

MANAGEMENT INFORMATION

DRegulatory Contact:			
D Management Contact: <u>Michael Armstead / Kacy Parker</u> <u>CEO</u>			
(Name)		(Title)	
<u>211 W. Saddle Lane</u> (Street)	<u>Payson</u> (City)	<u>Arizona</u> (State)	<u>85541</u> (Zip)
<u>928-363-0032</u>			
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address _____			
On Site Manager: <u>Michael Armstead</u>			
(Name)			
<u>211 W. Saddle Lane</u> (Street)	<u>Payson</u> (City)	<u>Arizona</u> (State)	<u>85541</u> (Zip)
<u>928-363-0032</u>			
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address _____			

Statutory Agent:		<u>Michael Armstead</u>	
		(Name)	
<u>211 W. Saddle Lane</u>	<u>Payson</u>	<u>Arizona</u>	<u>85541</u>
(Street)	(City)	(State)	(Zip)
<u>928-363-0032</u>			
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Attorney: <u>N/A</u>			
		(Name)	
(Street)	(City)	(State)	(Zip)
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address			

OWNERSHIP INFORMATION

Check the following box that applies to your company:

<input type="radio"/> Sole Proprietor (S)	<input checked="" type="radio"/> C Corporation (C) (Other than Association/Co-op)
<input type="radio"/> Partnership (P)	<input type="radio"/> Subchapter S Corporation (Z)
<input type="radio"/> Bankruptcy (B)	<input type="radio"/> Association/Co-op (A)
<input type="radio"/> Receivership (R)	<input type="radio"/> Limited Liability Company
<input type="radio"/> Other (Describe)	

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

<input type="radio"/> APACHE	<input type="radio"/> COCHISE	<input type="radio"/> COCONINO
<input checked="" type="radio"/> GILA	<input type="radio"/> GRAHAM	<input type="radio"/> GREENLEE
<input type="radio"/> LA PAZ	<input type="radio"/> MARICOPA	<input type="radio"/> MOHAVE
<input type="radio"/> NAVAJO	<input type="radio"/> PIMA	<input type="radio"/> PINAL
<input type="radio"/> SANTA CRUZ	<input type="radio"/> YAVAPAI	<input type="radio"/> YUMA
<input type="radio"/> STATEWIDE		

COMPANY NAME _____

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (C less AD)
301	Organization	40,000	22,856.00	17,144.00
302	Franchises	0		
303	Land and Land Rights			
304	Structures and Improvements	5,000		5,000
307	Wells and Springs	75,000		75,000
311	Pumping Equipment	10,000		10,000
320	Water Treatment Equipment	0		0
320.1	Water Treatment Plants	N/A		N/A
320.2	Solution Chemical Feeders	N/A		N/A
330	Distribution Reservoirs and Standpipes	N/A		N/A
330.1	Storage Tanks	N/A		N/A
330.2	Pressure Tanks	N/A		N/A
331	Transmission and Distribution Mains	N/A		N/A
333	Services	N/A		N/A
334	Meters and Meter Installations	32,850		32,850
335	Hydrants	N/A		N/A
336	Backflow Prevention Devices	3,000		3,000
339	Other Plant and Misc. Equipment	1550.00		1550.00
340	Office Furniture and Equipment	1500.00		1500.00
340.1	Computers & Software	N/A		N/A
341	Transportation Equipment	42,000	11,610.00	42,000.00
343	Tools, Shop and Garage Equipment	8,000.00		8,000.00
344	Laboratory Equipment	N/A		N/A
345	Power Operated Equipment	N/A		N/A
346	Communication Equipment	N/A		N/A
347	Miscellaneous Equipment	N/A		N/A
348	Other Tangible Plant	N/A		N/A
	TOTALS	218,900.00	34,466.00	184,434.00

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
31	Organization	40,000.00		40,000.00
32	Franchises	0		
33	Land and Land Rights	0		
34	Structures and Improvements	5,000.00		5,000.00
307	Wells and Springs	7,500.00		7,500.00
311	Pumping Equipment	10,000.00		10,000.00
320	Water Treatment Equipment	0		0
321	Water Treatment Plants	N/A		N/A
322	Solution Chemical Feeders	N/A		N/A
330	Distribution Reservoirs and Standpipes	N/A		N/A
331	Storage Tanks	N/A		N/A
332	Pressure Tanks	N/A		N/A
333	Transmission and Distribution Mains	N/A		N/A
333	Services	N/A		N/A
334	Meters and Meter Installations	32,850.00		32,850.00
335	Hydrants	N/A		N/A
336	Backflow Prevention Devices	3,000.00		3,000.00
339	Other Plant and Misc. Equipment	1,550.00		1,550.00
340	Office Furniture and Equipment	1,500.00		1,500.00
340.1	Computers & Software	N/A		N/A
341	Transportation Equipment	3,600.00		3,600.00
343	Tools, Shop and Garage Equipment	8,000.00		8,000.00
344	Laboratory Equipment	N/A		N/A
345	Power Operated Equipment	N/A		N/A
346	Communication Equipment	N/A		N/A
347	Miscellaneous Equipment	0		0
348	Other Tangible Plant	0		0
	TOTALS	113,000.00		113,000.00
This amount goes on the Comparative Statement of Income and Expense Acct.		N		

COMPANY NAME

Arroyo Water Company

BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 2,601.00	\$ 1,898.00
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	7,465.00	11,670.00
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 10,066.00	\$ 3,065.00
	FIXED ASSETS		
101	Utility Plant in Service	\$ 193,298.00	\$ 184,434.00
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	25,602.00	34,465.00
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 218,900.00	\$ 218,900.00
	TOTAL ASSETS	\$ 228,966.00	\$ 221,965.00

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

COMPANY NAME Arroyo Water Company

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
LIABILITIES			
CURRENT LIABILITIES			
231	Accounts Payable	\$	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	320.00	240.00
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 320.00	\$ 240.00
LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$ 0	\$ 0
DEFERRED CREDITS			
251	Unamortized Premium on Debt	\$ 0	\$ 0
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 0	\$ 0
	TOTAL LIABILITIES	\$	\$
CAPITAL ACCOUNTS			
201	Common Stock Issued	\$ 1,000.00	\$ 1,000.00
211	Paid in Capital in Excess of Par Value	227,646.00	220,725.00
215	Retained Earnings		
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 228,646.00	\$ 221,725.00
	TOTAL LIABILITIES AND CAPITAL	\$ 228,966.00	\$ 221,965.00

COMPANY NAME

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 16,816.00	\$ 45,528.48
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$ 16,816.00	\$ 45,528.48
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 5,200.00	\$ 1,700.00
610	Purchased Water		
615	Purchased Power	4,921.00	5,402.62
618	Chemicals		100.00
620	Repairs and Maintenance	863.00	10,268.46
621	Office Supplies and Expense	2,807.00	920.00
630	Outside Services		4,746.00
635	Water Testing	600.00	3,600.00
641	Rents		15,000.00
650	Transportation Expenses	4,135.00	3,728.14
657	Insurance - General Liability		
659	Insurance - Health and Life		
666	Regulatory Commission Expense -- Rate Case		
675	Miscellaneous Expense	495.00	1,488.58
403	Depreciation Expense		
408	Taxes Other Than Income	645.00	2,947.42
408.11	Property Taxes		
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 19,666.00	\$ 52,317.87
	OPERATING INCOME/(LOSS)	\$ < 2,850.00 >	\$ < 6,789.39 >
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 0	\$ 0
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$ 0	\$ 0
	NET INCOME/(LOSS)	\$ < 2,850.00 >	\$ < 6,789.39 >

COMPANY NAME	Arroyo Water Company
---------------------	----------------------

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End	\$ N/A
Meter Deposits Refunded During the Test Year	\$ N/A

COMPANY NAME	Arroyo Water Company
Name of System:	ADEQ Public Water System Number:

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-805-621	5 + 3	90	61'	19"		1996

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (GPD)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5	1		
5	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
11,000	1	2,500	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME:	Arroyo Water Company
Name of System:	ADEQ Public Water System Number:

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 20 3

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	102			
FEBRUARY	102	389,590.00		
MARCH	102	229,580.00		
APRIL	102	268,870.00		
MAY	102	509,770.00		
JUNE	102	677,770.00		
JULY	102	859,910.00		
AUGUST	102	1,146,870.00		
SEPTEMBER	102	873,570.00		
OCTOBER	102	941,220.00		
NOVEMBER	102	822,110.00		
DECEMBER	102	729,180.00		
TOTALS		8,752,790.00		

What is the level of arsenic for each well on your system? _____ mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? N/A GPM for _____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
 Yes No N/A

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 Yes No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
 Yes No

If yes, provide the GPCPD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME:	Arroyo Water Company
Name of System:	ADEQ Public Water System Number:

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-410.B	Termination with Notice R14-2-410.C	OTHER
JANUARY			
FEBRUARY			
MARCH			
APRIL			
MAY			
JUNE			
JULY			
AUGUST			
SEPTEMBER			
OCTOBER			
NOVEMBER			
DECEMBER			
TOTALS -----+			

OTHER (description):

COMPANY NAME Arroyo Water Company

YEAR ENDING 12/31/2013

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2013 was: \$ 0

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why: ----- 1-----

VERIFICATION
AND
SWORN STATEMENT
Taxes

VERIFICATION

STATE OF _____

I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	GILHA
NAME (OWNER OR OFFICIAL) TITLE	KAY J PARKER
COMPANY NAME	ARROYO WATER COMPANY

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO
THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2013

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS,
PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY
EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND
CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE
PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY
MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE,
INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT
AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND
PAID IN FULL.

SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS _____ DAY OF

COUNTY NAME	_____
MONTH	1 .20

(SEAL)

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES _____

For this reporting period, provide the following:

Federal Taxable Income Reported _____
Estimated or Actual Federal Tax Liability _____

State Taxable Income Reported _____
Estimated or Actual State Tax Liability _____

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
Amount of Gross-Up Tax Collected _____
Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

9-28-15
DATE

Kacy Parker
PRINTED NAME

owner
TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	Gila
NAME (OWNER OR OFFICIAL) TITLE	KACY J PARKER OWNER
COMPANY NAME	ARROYO WATER COMPANY

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING _____ MO. _____ DAY _____

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND I DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF

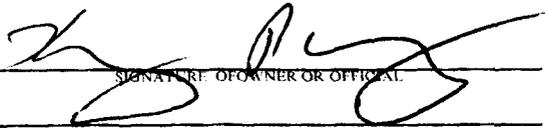
SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2013 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ 45,528.00

(THE AMOUNT IN BOX ABOVE INCLUDES \$ 2,947.42 IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

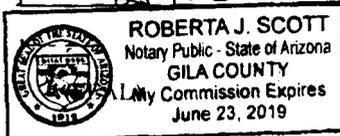


SIGNATURE OF OWNER OR OFFICIAL

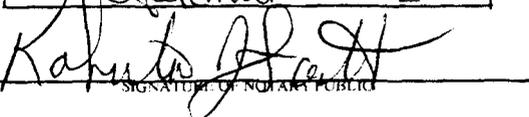
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF _____ DAY OF _____
THIS _____



COUNTY NAME	Gila
MONTH	September 1 2015



SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES June 23 2019

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>GILA</u>	
NAME (OWNER OR OFFICIAL) <u>RACY J PARRON</u>	TITLE <u>OWNER</u>
COMPANY NAME <u>ARROYO WATER COMPANY</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING MONTH DAY YEAR

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND I DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2013 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES <u>\$ 45,528.00</u>
--

THE AMOUNT IN BOX AT LEFT
INCLUDES \$
IN SALES TAXES BILLED, OR COLLECTED

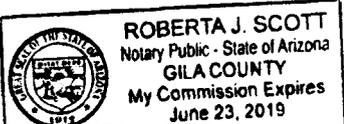
*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

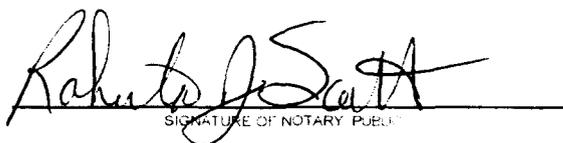

SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS 28th DAY OF

NOTARY PUBLIC NAME <u>Roberta J Scott</u>
COUNTY NAME <u>Gila</u>
MONTH <u>September 28, 2015</u>

(SEAL) 
MY COMMISSION EXPIRES


SIGNATURE OF NOTARY PUBLIC

ORIGINAL

MEMORANDUM

RECEIVED

TO: Docket Control Center

2015 NOV 16 A 10:19

FROM: Thomas M. Broderick
Director
Utilities Division

for



AZ CORP COMMISSION
DOCKET CONTROL

DATE: November 16, 2015

RE: STAFF REPORT FOR ARROYO WATER COMPANY, INC.'S EMERGENCY RATE APPLICATION (DOCKET NO. W-04286A-15-0339)

Attached is the Staff Report for Arroyo Water Company, Inc.'s ("Arroyo" or "Company") Emergency Rate Application. Staff recommends approval of Staff's alternative emergency rate increase.

Any interested party wishing to file comments regarding the attached Staff Report may file those comments with the Arizona Corporation Commission's Docket Control no later than November 30, 2015.

TMB:MJR:red/BH

Originator: Mary J. Rimback

Arizona Corporation Commission
DOCKETED

NOV 16 2015

DOCKETED BY 



Service List for Arroyo Water Company, Inc.
Docket No. W-04286A-15-0339

Mr. Michael Armstead
Management Systems, LLC
211 West Saddle Lane
Payson, Arizona 85541

Mr. Thomas M. Broderick
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief Legal Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Dwight Nodes
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**ARROYO WATER COMPANY, INC.
DOCKET NO. W-04286A-15-0339**

**APPLICATION FOR AN
EMERGENCY RATE INCREASE**

NOVEMBER 16, 2015

STAFF ACKNOWLEDGMENT

The Staff Report for Arroyo Water Company, Inc. ("Company"), Docket No. W-04286A-15-0339 was the responsibility of the Staff members listed below. Mary J. Rimback was responsible for the review and analysis of the Company's application, recommended revenue requirements, and rate design. Frank Smaila was responsible for the engineering and technical analysis. Alfonso Amezcua was responsible for reviewing the Commission's records on the Company and reviewing customer complaints filed with the Commission.



Mary J. Rimback
Public Utilities Analyst



Frank Smaila
Utilities Engineer - Water/Wastewater



Alfonso Amezcua
Public Utilities Consumer Analyst II

**EXECUTIVE SUMMARY
ARROYO WATER COMPANY, INC.
DOCKET NO. W-04286A-15-0339**

Arroyo Water Company, Inc. ("Company") is located in an area located in the community known as Tonto Basin, approximately 25 miles south of Payson in Gila County, Arizona. The Company provides water utility services to approximately 122 residential customers.

The Company is requesting an emergency rate increase in the amount of \$72,000¹, or a 158.14 percent increase over the Company's represented 2014 revenue of \$45,528². Staff recommends an emergency rate increase in the amount of \$16,402, or a 51.50 percent increase over Staff adjusted 2014 revenues of \$31,846.³

Staff Recommendations:

Staff recommends approval of an emergency interim rate surcharge of \$11.20 per connection per month.

Staff further recommends that the rates approved in this case will be interim, and subject to refund until permanent rates are established in the next rate case filing.

Staff further recommends that no change to commodity charges, miscellaneous service charges, and service and meter installation charges be approved.

Staff recommends that proof of property taxes paid be submitted semi-annually until the obligation is paid in full. The Company is six years delinquent and Staff has included funding in emergency rates to pay these past due taxes.

Staff further recommends that the Company be ordered to obtain a bond or an Irrevocable Standby Letter of Credit in the amount of \$10.00.

Staff further recommends that the Company be ordered to file a full rate case application no later than 24 months after the effective date of the interim emergency rates, using the most recent test year data reasonably available.

Staff further recommends that the Company maintain records as required for a permanent rate application, including details of water usage, copies of all invoices and other cost documentation supporting the rates requested.

¹ Page 4 of Emergency Rate Application.

² Page 16 of Emergency rate Application.

³ Staff requested details of 2014 revenues and expenses as discussed in the "Staff Review" section of this report.

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ATTACHMENT

ENGINEERING MEMORANDUM.....	A
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INTRODUCTION

On September 28, 2015, Arroyo Water Company, Inc. ("Arroyo" or "Company") filed an application for an emergency rate increase (Matter No. 15-0339) with the Arizona Corporation Commission ("Commission"). Concurrently the Company filed an "Application for Approval of the Sale of Assets and/or Transfer of Certificate of Convenience and Necessity" (Matter No. 15-0340).

On October 15, 2015, a Procedural Conference was held on the applications of Arroyo Water Company, Inc. and Jakes Corner Water Systems for approval of an emergency rate increase (Docket Nos. W-20935A-15-0338 and W-04286A-15-0339). At the conference November 16, 2015, was set as the docket date for a Staff Report and December 7, 2015, as the date for the hearing on both applications.

Also at the conference on October 15, 2015, there was a discussion as to the probable transfer of Arroyo's current matters to Docket No. W-04286A. A subsequent Pleading by Staff Attorney on October 22, 2015 recommended this transfer and a Procedural Order on November 3, 2015 granted this request.

The Company stated in its application that the Company is insolvent and that the system has immediate emergencies. At page 8 of the application is Company provided a list of system repairs necessary to alleviate the emergency condition and on the same page, the Company stated that no estimate of costs is available at this time.

At page 9 of the application, the Company included an annual report for the system for the year ending December 31, 2014. The Annual report represented that for the twelve months of 2014 it received revenues of \$45,528, and paid expenses of \$52,317⁴ for an operating loss of \$6,789. The Company requested an emergency rate increase of \$72,000 on page 4 and page 7 of the application. The \$72,000 increase is a 158.14 percent increase over the Company represented 2014 revenue of \$45,528.

BACKGROUND

Arroyo is an Arizona Class E utility engaged in the business of providing potable water service to approximately 122 customers in a community known as Tonto Basin, approximately 25 miles south of Payson, in Gila County, Arizona. The Company representative Michael Armstead, stated in a procedural conference on October 15, that Management Systems, LLC purchased Arroyo on July 1, 2015. On September 28, 2015, an application to transfer the Certificate of Convenience and Necessity ("CC&N") from Arroyo Water Company, Inc. to Management Systems, LLC was docketed with the Commission (Docket No. 04286A-15-0340). No decision on the transfer of CC&N has been issued at the time of issuance of this Staff Report.

⁴ The itemized expenses did not mathematically compute to this amount.

ENGINEERING ANALYSIS

The Staff Engineering Memorandum is attached to this report. In the Memorandum, Staff discusses the lack of reliable data for the system. Staff notes that the Company does not have an approved Backflow Prevention Tariff.

CONSUMER SERVICES

The Corporations Division of the Commission indicates that Arroyo is currently in good standing.

A review of the Consumer Services section records for the period of January 1, 2012 through October 7, 2015, reflects no complaints or opinions.

COMPLIANCE

Arroyo has no Commission outstanding compliance issues pending.

CONDITIONS NECESSARY FOR EMERGENCY RATE RELIEF

General conditions necessary for interim emergency rates⁵ include:

1. A sudden change that causes hardship to a company.
2. A company is insolvent.
3. A company's ability to maintain service (pending a formal rate determination) is in serious doubt.

STAFF REVIEW

The Company's application, on page 4 and 7 requests emergency rates of an additional \$72,000. A list of plant items needing repair or replacement appears on page 8 of the application. However, no specific costs are attached to the items listed. The items on the list are long-lived plant items. Staff concludes that the proposed level of increase is intended to provide for the cost of long-lived additions or replacements to plant, rather than the on-going operational needs of the Company.

Due to the long-term nature of this investment, Staff believes this would more appropriately be funded through long-term financing. Staff expects the Company to file a formal financing application for these expenditures. The need for the long-term investment and the rate impact can

⁵ According to Attorney General Opinion No. 71-17, interim or emergency rates are proper when either all or any of the following conditions occur: when sudden change brings hardship to a Company; when the Company is insolvent; or when the condition of the Company is such that its ability to maintain service pending a formal rate determination is in serious doubt. Those criteria have been affirmed in *Scates v. Arizona Corporation Commission*, 118 Ariz. 531 (CT. App. 1978) and in *Residential Utility Consumer Office v. Arizona Corporation Commission*, 199 Ariz. 588 (2001).

be evaluated at that time. Logically, this could be done in consolidation with the full rate application as recommended by Staff.

As noted, Staff does not consider the requested emergency increase of \$72,000 to be reasonable because:

- 1) An increase of the magnitude proposed by the Company would increase the monthly bill per customer per month by \$49.00 ($\$72,000/12 = \$6,000$; $\$6,000/122 = \49.00);
- 2) The cost of funding the long-lived assets that are included with the Company's request are appropriately spread over many years, as in a financing; and
- 3) The emergency rate increase should only address current operational needs.

Staff has determined that the Company is operationally insolvent. The last rates were set in September of 1991, and the Company is delinquent in its property taxes back to 2008 in the application for transfer of the CC&N. The Company application provided little information as to the revenues and expenses to be included in the emergency rates, other than the net operating loss of \$6,789.

Nor can the Company's annual reports be relied upon for this information. No annual reports have been filed since 2007 by the Company. The earlier Annual Reports provided with the application are signed by Kacy Parker, the previous owner of the Company. Staff requested additional information and was provided a print-out on October 22, 2015, showing details of the 2014 transactions for Arroyo. The print out was titled "Profit & Loss Detail January through December 2014". Details included the dates and names of the transactions.

The Company's 2014 annual report shows revenues of \$45,528.48; the Detailed Report shows revenues of \$40,607.67⁶. The annual report shows expenses of \$52,317.87; the Detailed Report shows expenses of \$10,756.43. The annual report shows an operating loss of \$6,789.39; the detailed report shows a net income of \$29,851.24. As the Annual Reports contained no detailed amounts, Staff concludes that the Detailed Report showing dates and names was a more accurate indicator of the 2014 revenues and expenses.

Staff, therefore, concludes the detailed report is a more reliable indicator of the Company's operational needs. While there are considerable differences in the amounts shown in the application versus the amounts on the Detailed Report of transactions, Staff notes that a number of usual expenses were not included in the expense details. The ten categories of expense which were shown in the details are:

⁶ Staff notes sales taxes of \$2,947 and meter installation charges of \$5,815, are included in revenues. Staff removed sales taxes from both revenues and expenses. Staff remove meter installation revenues from metered revenue. Staff Adjusted metered revenue is \$31,846.

Bank Service Charges	\$	146.00
Contract Labor	\$	2,533.50
Materials	\$	94.50
Postage and Delivery	\$	692.00
Repairs	\$	(1,875.45)
Supplies	\$	25.00
State Sales Tax	\$	2,706.04
Technical Support	\$	121.51
Gas and Electric	\$	4,978.33
Water Testing	\$	<u>1,335.00</u>
	\$	10,756.43

Scant information was provided to Staff as to the historical operational expenses of the Company. Staff has determined estimates for known on-going expenses as follows:

Purchased Power	\$	5,000
Chemicals	\$	100
Repairs and Maintenance	\$	6,100
Office Supplies and Expense	\$	1,464
Outside Services	\$	12,000
Water Testing	\$	1,030
Rents & Telephone	\$	7,200
Transportation Expense	\$	1,200
One-half of past due property taxes	\$	6,371
Property Taxes	\$	<u>1,783</u>
Subtotal	\$	42,248
Additional cash flow	\$	6,000
Total Expenses	\$	48,248
Less Current Revenues	\$	(31,846)
Additional Funding	\$	16,402

Based on this information, Staff concludes that the Company does require emergency rate relief in order to provide for on-going operating expenses. However, to the extent the Company's request includes capital plant items, these would be better addressed in a financing application, which would allow the cost of long-lived assets to be spread over the life of the assets.

Staff estimates an emergency increase of revenues in the amount of \$16,402 is required. This reflects an increase of 51.50 percent over Staff adjusted revenues of \$31,846. Staff recommends an interim surcharge amount of \$11.20 per customer per month (\$16,402/1,464 bills). Staff recommends emergency interim rates that produce sufficient revenue to cover operating and maintenance expense and to manage contingencies. Staff does not recommend tiered rates as proposed by the Company. Tiered rates require water usage data by tiers. Instead, Staff calculated an interim increase in a fixed monthly amount. This will allow the Company a predictable cash flow.

Normal emergency rate case procedures require that the Company provide a bond sufficient to cover a refund of the interim rates approved in this case. If it is later determined that the

emergency rate increase was not necessary or only partially necessary, the bond will facilitate the refunding of the interim rates to ratepayers. Staff does not believe the entire amount of the emergency rate increase needs be covered by a bond in this instance. Staff recommends that a bond or an Irrevocable Standby Letter of Credit be required in the amount of \$10.00.

Normal emergency rate case procedures require that the Company be ordered to file a full rate case application within a reasonable period after interim rates are awarded in the case. Staff recommends that the Company be ordered to file a full rate case application no later than 24 months after the effective date of the emergency interim rates, using the most recent test year.

RATE DESIGN

Rate design is critical to the Company's ability to collect revenues to cover operational expenses. The design of rates normally would include a historical bill count, which calculates water usage at various tiers of water usage. Bill counts are not required in filing an interim emergency rate application. Pages 4 and 5 of the Company's Emergency rate application proposed inverted three tiered commodity rates; however without bill counts showing the tiered amounts of water usage, there is no predictability to the revenue generated by the Company's rate design.

Staff recommends that the emergency rates be generated from an emergency interim surcharge until the Company is able to file for permanent rates. Staff recommends that all other present tariffs remain as currently tariffed approved.

STAFF RECOMMENDATIONS

Staff recommends approval of an emergency interim rate surcharge of \$11.20 per connection per month.

Staff further recommends that the rates approved in this case will be interim, and subject to refund until permanent rates are established in the next rate case filing.

Staff further recommends that no change to commodity charges, miscellaneous service charges, and service and meter installation charges be approved.

Staff recommends that proof of property taxes paid be submitted semi-annually until the obligation is paid in full. The Company is six years delinquent and Staff has included funding in emergency rates to pay these past due taxes.

Staff further recommends that the Company be ordered to obtain a bond or an Irrevocable Standby Letter of Credit in the amount of \$10.00.

Staff further recommends that the Company be ordered to file a full rate case application no later than 24 months after the effective date of the interim emergency rates, using the most recent test year data reasonably available.

Staff further recommends that the Company maintain records as required for a permanent rate application, including details of water usage, copies of all invoices and other cost documentation supporting the rates requested.

MEMORANDUM

DATE: October 27, 2015

TO: Mary Rimback
Public Utilities Analyst

FROM: Frank M. Smaila 
Utilities Engineer

RE: Arroyo Water Company, Inc. Emergency Rate Increase Application
Docket No. W-04286A-15-0339

INTRODUCTION

On September 28, 2015, Arroyo Water Company, Inc. ("Arroyo" or "Company") filed with the Arizona Corporation Commission ("ACC") an application for approval of an emergency rate increase. The plant facilities were field inspected on October 22, 2015, by Utilities Division Staff ("Utilities Staff" or "Staff") Lori Miller, Mary Rimback and Frank Smaila in the accompaniment of Mr. Michael Armstead, water system owner.¹

The Company is providing service to approximately 122 customers in an area located in the community known as Tonto Basin, approximately 25 miles south of Payson in Gila County. Figure 1 shows the location of the Company within Gila County and Figure 2 shows the location of the Company in relation to other Commission regulated companies in Gila County. The Certificate of Convenience and Necessity area covers approximately 1,925 acres (approximately three square mile).

WATER SYSTEM²*Operation*

The Company's water system includes one well which contains two well pumps of 3 and 5 horsepower ("hp") with combined estimated yield of 90 gallon per minute ("gpm"), one 11,000 gallon storage tank, three booster pumps (5, 5 & 15 hp), one 2,500 gallon pressure tank and a distribution system. There is one-two inch master meter located downstream of the storage tank. A system schematic is shown as Figure 3.

Capacity

Based on the Company's 2014 water use data, the Company reported the peak use month as July with 1,451,502 gallons sold, averaging 378 gallons per day ("gpd") per connection. Staff concludes that the current well, operating at the reported capacity of 90 gpm, could adequately serve the present customer base and reasonable growth. Based on the Company's 2014 water use data

¹ Mr. Armstead stated that he purchased the water system on July 1, 2015.

² Per Company's responses to Staff's Insufficiency letter in Docket No. W-20935A-15-0260

and capacity analyses for a two well pump system, no minimum storage is required on this system to meet seasonal peak demand. However, the current storage tank has an obvious leak at the tank bottom and the well meter is located downstream of the storage tank. Since the water loss from the leaking storage tank is unknown, the actual well production is unknown and the system's water loss cannot be determined. Staff recommends that the Company install a two inch master meter between the well pump and inlet to the storage tank in order to calculate water loss. Staff's estimated cost for the purchase and installation of a new two inch master meter is \$2,000.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

According to an ADEQ Compliance Status Report, dated October 2, 2015, ADEQ has reported no major deficiencies and has determined that the Company's system, Public Water System ("PWS") No. 04-083, is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company's water system is not located in an ADWR Active Management Area. According to an ADWR compliance status report dated October 13, 2015, ADWR has determined that the Company's water system is not in compliance with ADWR requirements, as the Company failed to file its Annual reports and the System Water Plan.

ACC COMPLIANCE

On October 21, 2015, the Utilities Division Compliance Section stated that a check of the compliance database indicates that there are currently no delinquent compliance items for the Company.

CURTAILMENT TARIFF

The Company has an approved curtailment tariff on file with an effective date of August 1, 2007.

BACKFLOW PREVENTION TARIFF

The Company does not have an approved Backflow Prevention Tariff.

RECOMMENDATIONS

1. Staff recommends that the Company file with Docket Control within 90 days of the effective date of the order in this proceeding, as a compliance item in this docket, documentation demonstrating that a wellhead meter has been installed between the well pump and inlet to the storage tank.